

OC

QUARTERLY REPORT

LICENSEE: ATLANTIC CITY SHOWBOAT, INC

FOR THE QUARTER ENDED DECEMBER 31, 2002

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

BALANCE SHEETS

AS OF DECEMBER 31, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)

Amended

9/12/03

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents.....	25,273	\$ 32,630
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2002,\$3,894 ; 2001, \$1,085)..... NOTE 3	4,493	4,960
4	Inventories..... NOTE 1	1,860	2,360
5	Prepaid Expenses and Other Current Assets..... NOTE 4	2,497	1,740
6	Total Current Assets.....	34,123	41,690
7	Investments, Advances, and Receivables..... NOTES 5 & 14	1,280,593	943,702
8	Property and Equipment - Gross.....	594,623	530,824
9	Less: Accumulated Depreciation and Amortization.....	(279,140)	(258,532)
10	Property and Equipment - Net.....	315,483	272,292
11	Other Assets..... *	1,978	2,295
12	Total Assets.....	\$ 1,632,177	\$ 1,259,979
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	12,913	10,031
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other.....	189	186
17	Income Taxes Payable and Accrued.....	-	-
18	Other Accrued Expenses..... NOTE 6	39,595	35,310
19	Other Current Liabilities.....	767	867
20	Total Current Liabilities..... *	53,464	46,394
	Long-Term Debt:		
21	Due to Affiliates..... NOTE 8	715,000	715,000
22	Other.....	585	760
23	Deferred Credits..... NOTE 10	16,395	21,196
24	Other Liabilities..... NOTE 7	797,286	429,185
25	Commitments and Contingencies..... NOTE 15		
26	Total Liabilities..... *	1,582,730	1,212,535
27	Stockholders', Partners', or Proprietor's Equity..... *	49,447	47,444
28	Total Liabilities and Equity.....	\$ 1,632,177	\$ 1,259,979

*Amended to correct rounding errors

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND 2001

AMENDED
 9/2/03

 (UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	Revenue:		
1	Casino.....	\$ 363,464	\$ 346,468
2	Rooms.....	17,824	15,618
3	Food and Beverage.....	49,820	43,471
4	Other.....	7,241	6,578
5	Total Revenue..... *	438,349	412,135
6	Less: Promotional Allowances.....	101,111	91,996
7	Net Revenue.....	337,238	320,139
	Costs and Expenses:		
8	Cost of Goods and Services.....	189,318	183,391
9	Selling, General, and Administrative.....	34,459	39,854
10	Provision for Doubtful Accounts.....	672	1,451
11	Total Costs and Expenses..... *	224,449	224,696
12	Gross Operating Profit.....	112,789	95,443
13	Depreciation and Amortization.....	26,362	24,109
14	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other..... NOTES 2, 9 & 11 *	16,597	43,152
16	Income (Loss) from Operations.....	69,830	28,182
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates..... NOTE 8	(57,815)	(57,748)
18	Interest (Expense) - External.....	-	-
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(4,026)	(953)
20	Nonoperating Income (Expense) - Net..... NOTE 12	703	527
21	Total Other Income (Expenses).....	(61,138)	(58,174)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	8,692	(29,992)
23	Provision (Credit) for Income Taxes..... Note 10	6,689	(12,057)
24	Income (Loss) Before Extraordinary Items.....	2,003	(17,935)
25	Extraordinary Items (Net of Income Taxes - 2002, \$; 2001, \$).....	-	-
26	Net Income (Loss).....	\$ 2,003	\$ (17,935)

*Amended to correct rounding errors

The accompanying notes are an integral part of the financial statements.
 Valid comparisons cannot be made without using information contained in the Notes.

STATEMENTS OF INCOME

AMENDED
 9/12/03

FOR THE THREE MONTHS ENDED DECEMBER 31, 2002 AND 2001

 (UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	Revenue:		
1	Casino.....	\$ 86,643	\$ 82,794
2	Rooms.....	4,169	3,775
3	Food and Beverage.....	12,364	11,300
4	Other.....	1,726	1,346
5	Total Revenue..... *	104,902	99,215
6	Less: Promotional Allowances.....	25,591	22,384
7	Net Revenue.....	79,311	76,831
	Costs and Expenses:		
8	Cost of Goods and Services.....	47,712	43,322
9	Selling, General, and Administrative.....	8,229	11,650
10	Provision for Doubtful Accounts.....	54	492
11	Total Costs and Expenses..... *	55,995	55,464
12	Gross Operating Profit.....	23,316	21,367
13	Depreciation and Amortization.....	6,260	6,377
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other..... NOTES 2, 10 & 11 *	4,100	10,687
16	Income (Loss) from Operations.....	12,956	4,303
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....	(14,452)	(14,456)
18	Interest (Expense) - External.....	-	-
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(547)	(352)
20	Nonoperating Income (Expense) - Net.....	181	(75)
21	Total Other Income (Expenses).....	(14,818)	(14,883)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	(1,862)	(10,580)
23	Provision (Credit) for Income Taxes.....Note 10	2,216	(4,253)
24	Income (Loss) Before Extraordinary Items.....	(4,078)	(6,327)
	Extraordinary Items (Net of Income Taxes -		
25	2002, \$; 2001, \$).....	-	-
26	Net Income (Loss).....	\$ (4,078)	\$ (6,327)

*Amended to correct rounding errors

The accompanying notes are an integral part of the financial statements.
 Valid comparisons cannot be made without using information contained in the Notes.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2002

 (UNAUDITED)
 (\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2000.....	1,500	\$ 70,492	-	\$ -	\$ -	\$ -	\$ (5,113)	\$ 65,379
2	Net Income (Loss) -2001.....							(17,935)	(17,935)
3	Contribution to Paid-in-Capital.....								
4	Dividends.....								
5	Prior Period Adjustments.....								
6									
7									
8									
9									
10	Balance, December 31, 2001.....	1,500	70,492	-	-	-	-	(23,048)	47,444
11	Net Income (Loss) -2002.....							2,003	2,003
12	Contribution to Paid-in -Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15	1999 Income Tax Adjustment ..								
16									
17									
18									
19	Balance, December 31, 2002.....	1,500	\$ 70,492	-	\$ -	\$ -	\$ -	\$ (21,045)	\$ 49,447 *

*Amended to correct rounding errors

The accompanying notes are an integral part of the financial statements.
 Valid comparisons cannot be made without using information contained in the Notes.

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)**AMENDED**
9/12/03

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	* \$ 71,751	\$ 46,488
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....		
3	Proceeds from the Sale of Short-Term Investment Securities.....		
4	Cash Outflows for Property and Equipment.....	* (74,516)	(32,263)
5	Proceeds from Disposition of Property and Equipment.....	89	165
6	Purchase of Casino Reinvestment Obligations.....	(4,510)	(3,864)
7	Purchase of Other Investments and Loans/Advances made.....		
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....		
9	Cash Outflows to Acquire Business Entities.....		
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	* (78,937)	(35,962)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....		
14	Payments to Settle Short-Term Debt.....	3	
15	Cash Proceeds from Issuance of Long-Term Debt.....		
16	Costs of Issuing Debt.....		
17	Payments to Settle Long-Term Debt.....	* (174)	
18	Cash Proceeds from Issuing Stock or Capital Contributions.....		
19	Purchases of Treasury Stock.....		
20	Payments of Dividends or Capital Withdrawals.....	-	-
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	* (171)	-
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	(7,357)	10,526
25	Cash and Cash Equivalents at Beginning of Period.....	32,630	22,104
26	Cash and Cash Equivalents at End of Period.....	\$ 25,273	\$ 32,630
	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 57,388	\$ 57,388
28	Income Taxes.....	\$ 700	\$ -

*Amended to correct rounding errors

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND 2001

(UNAUDITED)
(\$ IN THOUSANDS)
AMENDED
 9/12/03

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ 2,003	\$ (17,935)
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	26,362	24,109
31	Amortization of Other Assets.....		
32	Amortization of Debt Discount or Premium.....	341	340
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	(4,801)	(899)
35	(Gain) Loss on Disposition of Property and Equipment.....	(89)	22
36	(Gain) Loss on Casino Reinvestment Obligations.....	4,027	927
37	(Gain) Loss from Other Investment Activities.....		
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	467	615
39	Net (Increase) Decrease in Inventories.....	500	(230)
40	Net (Increase) Decrease in Other Current Assets.....	(757)	1,446
41	Net (Increase) Decrease in Other Assets.....	(172)	(73)
42	Net Increase (Decrease) in Accounts Payable.....	7,921	1,035
	Net Increase (Decrease) in Other Current Liabilities		
43	Excluding Debt.....*	4,185	(511)
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	368,101	156,265
45	Net (Increase) Decrease in Invest., Advances, and Receivables.....	(336,337)	(118,623)
46			
47	Net Cash Provided (Used) By Operating Activities.....*	\$ 71,751	\$ 46,488

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....*	\$ 74,516	\$ 33,209
49	Less: Capital Lease Obligations Incurred.....		946
50	Cash Outflows for Property and Equipment.....	\$ 74,516	\$ 32,263
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and		
53	Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows to Acquire Business Entities.....	\$	\$
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....	\$	\$
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	Cash Proceeds from Issuing Stock or Capital Contributions.....	\$	\$

*Amended to correct rounding errors

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	218,515	\$ 15,607		
2	Food	1,899,385	24,807		
3	Beverage	6,898,860	9,599		
4	Travel	-		6,922	1,211
5	Bus Program Cash	862,192	11,918		
6	Other Cash Complimentaries	1,539,360	36,631	-	-
7	Entertainment	24,233	723		
8	Retail & Non-Cash Gifts	-			
9	Parking	873,061	1,746		
10	Other	9,109	80	19,171	1,579 *
11	Total	12,324,715	\$ 101,111	26,093	\$ 2,790

FOR THE THREE MONTHS ENDED DECEMBER 31, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	60,570	\$ 3,674		\$ -
2	Food	479,072	6,415		
3	Beverage	1,699,094	2,389		
4	Travel			1,502	262
5	Bus Program Cash	189,571	2,698		-
6	Other Cash Complimentaries	394,128	9,895	-	-
7	Entertainment	2,832	85		
8	Retail & Non-Cash Gifts				
9	Parking	207,289	414		
10	Other	2,330	21	5,553	558 *
11	Total	3,034,886	25,591	7,055	\$ 820

*Included in the other Promotional Expenses is the cost of Cigarette and Cigar complimentaries in the amount of \$140,000.

*Included in the other Promotional Expenses is the cost of Invited Guest Gifts in the amount of \$93,000.

*No other individual complimentary service or item within the "Other" category exceeds 5% of that column's total.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(1) Summary of Significant Accounting Policies

Nature of Operations

Atlantic City Showboat, Inc. (the Company), is a wholly owned subsidiary of Ocean Showboat, Inc. (OSI), which is a wholly owned subsidiary of Showboat, Inc. (SBO). SBO is a wholly owned subsidiary Harrah's Operating Company, Inc. (HOC), which is a wholly owned subsidiary of Harrah's Entertainment, Inc. and Subsidiaries (HARRAH'S). OSI was incorporated in 1983 and is a holding company with its principal assets being investments in the Company. The Company conducts casino gaming operations and operates full supportive services of hotel, restaurant, bar and convention facilities at the Showboat Hotel and Casino in Atlantic City, New Jersey (Atlantic City Showboat).

On June 1st, 1998, HARRAH'S, a Delaware corporation, purchased SBO and its subsidiaries.

Revenue Recognition

Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. Revenues from hotel and other services are recognized at the time the related services are performed.

Promotional Allowances

Gross revenues include the retail value of complimentary food, beverage, theater and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues. As more fully disclosed in the paragraph "Recent Accounting Pronouncements" promotional allowances have been expanded to include cash rebates. The estimated cost of providing complimentary services and cash rebates to customers for the twelve months ended December 31 2002 and 2001, respectively, were as follows:

	<u>2002</u>	<u>2001</u>
Food and Beverage	\$29,056	\$24,961
Rooms	12,299	11,648
Other	2,265	1,941
Bus Program Cash	11,918	13,570
Other Cash Complimentaries	<u>36,631</u>	<u>34,167</u>
	<u>\$92,169</u>	<u>\$86,287</u>

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less, at the time of purchase, to be cash equivalents..

Inventories

Inventories of provisions and supplies are valued at the lower of cost (weighted average basis) or market.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Financial Instruments

The carrying amount of cash equivalents, receivables and all current liabilities approximates fair value due to their short-term nature. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. After giving effect to their allowances, the Casino Reinvestment Development Authority (CRDA) bonds and deposits approximately indicate their fair value based upon their below market interest rates. The carrying amount of long-term debt is estimated to approximate its fair value as the stated rates approximate current rates.

Property and Equipment

Property and Equipment is carried at cost. Depreciation including amortization of capitalized leases is computed using the straight-line method. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Estimated useful lives for Property and Equipment are 5 to 15 years for Land Improvements, 10 to 40 years for buildings and 3 to 10 years for furniture and equipment.

Income Taxes

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date.

The Company is included in the consolidated federal income tax group of HARRAH'S. Accordingly, income taxes are allocated based on the separate return method except that tax benefits available to the Company are recognized when generated by the Company to the extent utilized by the group, including carrybacks.

Deferred Financing Cost

Costs associated with the issuance of debt have been deferred and are being amortized to interest expense over the life of the related indebtedness using the straight-line method that approximates the effective interest method.

Long-lived Assets

The provisions of Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" requires, among other things, that an entity review its long lived assets and certain related intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The assessment for potential impairment is based primarily on the Company's ability to recover the unamortized balance of its long-lived assets from expected future cash flows from its operations on an undiscounted basis. The Company is not aware of any

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Long-lived Assets (Cont.)

events or changes in circumstances that indicate that the carrying amount of any asset may be impaired.

Accounting Estimates

The preparation of these financial statements in conformity with generally accepted accounting principals requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The Company provides an allowance for doubtful accounts arising from casino, hotel and other services, which is based upon a specific review of certain outstanding receivables and historical collection performance. In determining the amount of the allowance, the Company is required to make certain estimates and assumptions and actual results may differ from those assumptions.

Recent Accounting Pronouncements

In January 2001, the Emerging Issues Task Force ("EITF") reached a consensus on certain issues within Issue No. 00-22, "Accounting for 'Points' and Certain other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free products or Services to be Delivered in the Future" (EITF 00-22"). Application of EITF 00-22 is required for all interim and annual periods ending after February 15, 2001. EITF 00-22 requires volume-based cash rebates to be classified as a reduction of revenue. Accordingly, such rebates have been classified as promotional allowances. The Company previously classified these expenditures as gaming expense. Accordingly, \$48,549 and \$47,737 were reclassified from casino expenses to promotional allowances for the twelve months ended December 31 2002 and 2001, respectively.

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). This standard addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. The standard is effective for fiscal years beginning after June 15, 2002. The Company's management does not expect the adoption of SFAS 143 to have a material impact on the Company's financial results.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). This standard addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The standard is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS 144 did not have any material impact on the Company's financial results.

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") effective January 2002. This standard provides new guidance regarding the recognition and measurement of intangible assets, eliminates the amortization of certain intangibles and requires annual assessments for impairment of intangible assets that are not subject to amortization. Early adoption for acquisitions prior to June 2001 was not allowed.

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

(Dollars In Thousands)

(2) Related Party Transactions

The Company is charged a fee from HOC for administrative services (including executive, financial, information technology, legal, marketing, and tax planning and compliance). The Company was charged \$6,158 and \$5,830 for the twelve months ended December 31 2002 and 2001, respectively, for these services.

As more fully disclosed in Note 5, the Company transfers cash in excess of its operating needs to HARRAH'S on a daily basis. As more fully disclosed in Note 8, services are provided by HARRAH'S and cash is transferred from HARRAH'S to the Company based upon the needs of the Company to fund daily operations. No interest is paid or (earned) on the amount shown as Due To (From) Affiliates in the accompanying statements.

As more fully disclosed in Note 8, the Company has Intercompany Promissory Notes Payable totaling \$715,000.

As more fully disclosed in Note 9, the Company leases land from a subsidiary of SBO.

(3) Receivables

As of December 31, 2002 and 2001, Receivables consisted of the following:

	<u>2002</u>	<u>2001</u>
Casino	\$5,857	\$4,030
Hotel	169	282
Due from CRDA	0	0
Other	<u>2,361</u>	<u>1,733</u>
	8,387	6,045
Less allowance for doubtful accounts	<u>3,894</u>	<u>1,085</u>
	<u>\$4,493</u>	<u>\$4,960</u>

(4) Prepaid Expenses & Other Current Assets

As of December 31, 2002 and 2001, Prepaid Expenses and Other Current Assets consisted of the following:

	<u>2002</u>	<u>2001</u>
Prepaid Slot License	\$882	\$841
Prepaid Insurance	90	84
Deposits	151	210
Prepaid Rent	842	0
Prepaid Contracts/Utilities	128	0
Other	<u>404</u>	<u>605</u>
	<u>\$2,497</u>	<u>\$1,740</u>

(5) Investments, Advances & Receivables

As of December 31, 2002 and 2001, Investments, Advances and Receivables consisted of the following:

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(5) Investments, Advances & Receivables (Cont.)

	<u>2002</u>	<u>2001</u>
CRDA Deposits (Note 13)	\$14,970	\$16,939
CRDA Bonds (Note 13)	<u>14,851</u>	<u>8,504</u>
	<u>29,821</u>	<u>25,443</u>
Less: Valuation Allowance on CRDA Investments	<u>(9,070)</u>	<u>(6,496)</u>
CRDA Investments, Net	20,751	18,947
Due From Affiliates	<u>1,259,842</u>	<u>924,755</u>
	<u>\$1,280,593</u>	<u>\$943,702</u>

Due From Affiliates consisted of the following:

	<u>2002</u>	<u>2001</u>
HARRAH'S	\$1,258,883	\$922,524
Showboat Operating Company	0	11
Harrah's Atlantic City	593	1,843
Showboat Indiana	14	14
Harrah's New Orleans	0	2
Harrah's Lake Tahoe	22	22
Harrah's Joliet	8	17
Harrah's Ak-Chin	290	290
Harrah's North Kansas City	<u>32</u>	<u>32</u>
	<u>\$1,259,842</u>	<u>\$924,755</u>

(6) Other Accrued Expenses

As of December 31, 2002 and 2001, Other Accrued Expenses consisted of the following:

	<u>2002</u>	<u>2001</u>
Salaries and Wages	\$8,652	\$5,859
Taxes, Other Than Taxes on Income	961	1,394
Accrued Advertising and Promotion	1,988	971
Accrued Interest	22,065	22,065
Other	<u>5,929</u>	<u>5,021</u>
	<u>\$39,595</u>	<u>\$35,310</u>

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(7) Other Liabilities

As of December 31, 2002 and 2001, Other Liabilities consisted of the following:

	<u>2002</u>	<u>2001</u>
Due to Affiliates, Long-Term	\$796,904	\$428,617
Other	<u>382</u>	<u>568</u>
	<u>\$797,286</u>	<u>\$429,185</u>

Due To Affiliates, Long Term consisted of the following:

	<u>2002</u>	<u>2001</u>
HARRAH'S	\$393,360	\$282,659
SBO	391,812	135,999
Harrah's Las Vegas	6,437	6,433
Harrah's Laughlin	0	4
Harrah's Reno	14	14
Harrah's Tunica	12	10
Harrah's Tahoe	662	0
Rio Las Vegas	83	84
OSI	38	39
Harrah's Atlantic City	3,958	2,847
Showboat Operating Company	<u>528</u>	<u>528</u>
	<u>\$796,904</u>	<u>\$428,617</u>

(8) Long Term Debt, Due to Affiliates

As of December 31, 2002 and 2001 Long-Term Debt, Due to Affiliates consisted of the following:

	<u>2002</u>	<u>2001</u>
9 ¼ % Promissory Note - Due 2008	\$215,000	\$215,000
7 ½ % Promissory Note – Due 2009	<u>500,000</u>	<u>500,000</u>
Total Long Term Debt	<u>\$715,000</u>	<u>\$715,000</u>

On May 18, 1993, SBO issued \$275,000 of 9 1/4% First Mortgage Bonds due 2008 (9 ¼ % Bonds) and subsequently loaned approximately \$215,000 of the proceeds to the Company evidenced by an intercompany promissory note with terms and conditions consistent with those of the 9 ¼% Bonds.

Subsequent to the acquisition of SBO by HARRAH'S on June 1, 1998, HARRAH'S completed tender offers and consent solicitations for SBO's 9 ¼ Bonds.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(8) Long Term Debt, Due to Affiliates (Cont.)

As a result of the receipt of the requisite consents, HARRAH'S eliminated or modified substantially all of the negative covenants, certain events of default and made other changes to the respective indentures governing the 9 ¼ Bonds. The Company's intercompany promissory note with SBO remained unchanged. On January 15, 1999 the Company entered into a \$500,000 intercompany promissory note with HOC. For value received, the Company promises to pay HOC the principal sum of \$500,000 on

January 15, 2009 and to pay interest thereon at the rate of 7 ½ % per annum. Payments of interest shall be made semiannually on January 15 and July 15 of each year, commencing July 15, 1999, and shall be calculated on the basis of a 360-day year.

Interest payments related to long-term debt are included in the Amounts Due to Affiliates.

(9) Leases

The Company leases a warehouse under a long-term lease agreement that is capitalized as a capital lease. The Company has the option to purchase the warehouse from January 1, 2006 through March 31, 2006 at an option price of approximately \$1,928.

The Company leases 10 1/2 acres of Boardwalk property in Atlantic City, New Jersey for a term ending in 2082 from an affiliate. Annual rent payments, which are payable monthly, commenced upon opening of the Atlantic City Showboat. The rent is adjusted annually based upon changes in the Consumer Price Index. In April 2002, the annual rent increased \$142 to \$10,107. The Company is responsible for taxes, assessments, insurance and utilities. Rent expense under this lease for the twelve months ended December 31 2002 and 2001, was \$10,072 and \$9,893 respectively.

Leases (with initial or remaining terms in excess of one year) as of December 31, 2002:

	<u>Capital Lease</u>	<u>Operating Leases</u>
Year ending December 31,		
2003	\$258	\$3,830
2004	258	2,034
2005	258	1,958
2006	151	1,829
2007		1,571
Thereafter		
Total minimum lease payments	925	<u>\$11,222</u>
Less amount representing interest	<u>(150)</u>	
Present value of minimum lease payments	<u>\$ 775</u>	

Rent expense for all operating leases (except those with terms of a month or less that were not renewed) was \$3,971 and \$3,787 for the years ended December 31, 2002 and 2001 respectively.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(10) Income Taxes (Benefit)

For the years ended December 31, 2002 and 2001, Income Tax Expense (Benefit) consisted of the following:

	<u>2002</u>	<u>2001</u>
Federal:		
Current	\$3,552	\$(8,641)
Deferred	<u>(2,849)</u>	<u>(2,927)</u>
	703	(11,569)
State :		
Current	6,462	0
Deferred	<u>(476)</u>	<u>(489)</u>
	5,986	(489)
Total		
Current	10,014	(8,641)
Deferred	<u>(3,325)</u>	<u>(3,416)</u>
	<u>\$6,689</u>	<u>\$(12,057)</u>

The provision for income taxes for the twelve months ended December 31, 2002 and 2001 differs from the amount computed at the statutory rate as follows:

	<u>2002</u>	<u>2001</u>
Federal income tax at statutory rate	\$900	\$(11,400)
State income taxes, net of federal benefit	5,986	(489)
Other, net	<u>(197)</u>	<u>(168)</u>
	<u>\$6,689</u>	<u>\$(12,057)</u>

Temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities that give rise to significant portions of the net deferred tax liability relate to the following:

	<u>2002</u>	<u>2001</u>
Deferred tax assets:		
CRDA Obligation	\$(3,715)	\$(2,133)
Accrued Vacations	(1,496)	(1,541)
Allowance Doubtful Accounts	(1,591)	(443)
Wide Area Progressive Trust	(6,612)	(3,404)
Other	<u>(1,456)</u>	<u>(256)</u>
Total Deferred Tax Assets	(14,870)	(7,777)
Deferred Tax Liabilities:		
Depreciation and Amortization	<u>31,265</u>	<u>28,973</u>
Net Deferred Tax Liability	<u>\$16,395</u>	<u>\$21,196</u>

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(11) Stock Plans

HARRAH'S has various incentive plans under which restricted shares or stock options may be granted to key employees of the Company. Compensation expense of \$368 and \$461 was recognized for the twelve months ended December 31, 2002 and 2001, respectively.

(12) Non-operating Income (Expense)

For the twelve months ended December 31 2002 and 2001, Non-Operating Income (Expense) consisted of the following:

	<u>2002</u>	<u>2001</u>
Interest Income	\$614	\$790
Gain (Loss) on Disposal of Property & Equipment	89	(22)
Preopening Cost	<u>0</u>	<u>(241)</u>
	<u>\$703</u>	<u>\$527</u>

(13) Employee Benefit Plans

The Company maintains a retirement and savings plan for eligible employees who are not covered by a collective bargaining agreement. Under the terms of the plan adopted on July 1, 1999, eligible employees may defer up to 6% of their compensation, as defined, of which 100% of the deferral is matched by the Company. Eligible employees may contribute an additional 10% of their compensation, which will not be matched by the Company. Amounts contributed by the Company vest over a five-year period. The Company contributed \$2,060 and \$2,248 to this plan for the twelve months ended December 31 2002 and 2001, respectively.

The Company's union employees are covered by union-sponsored, collectively bargained, multi-employer pension plans. Contributions are generally determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of hours worked. Contributions to the plans were \$951 and \$787 during the twelve months ended December 31, 2002 and 2001, respectively.

(14) New Jersey Investment Obligation

The New Jersey Casino Control Act (Act) provides, among other things, for an assessment on a gaming licensee equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be used to purchase bonds designated by the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below market rates.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(14) New Jersey Investment Obligation (Cont.)

Deposits with the CRDA bear interest at two-thirds of market rates resulting in a current value lower than cost. As more fully disclosed in Note 5, at December 31, 2002 and 2001, Investments, Advances, and Receivables include \$20,751 and \$18,947 respectively, representing the Company's bond purchases and deposits with the CRDA, net of the valuation allowance. The carrying value of these deposits, net of the valuation allowance, approximates fair value.

The Company was eligible to receive approximately \$11,500 in funding credits reserved by the CRDA, as a result of the completion of the hotel expansion program at the Atlantic City Showboat, completed in 1994. In December 2001, the Company received the final distribution of the funding credits.

In December 1999 the CRDA approved a credit exchange agreement between the Company and Harrah's Atlantic City (HAC). The CRDA approved an exchange of \$4,628 of HAC South Jersey Future Obligations from the Company's Atlantic City Housing Current Obligations. The exchange was implemented by the immediate transfer of \$4,628 from the Company's Atlantic City Housing Obligations to HAC. In accordance with the exchange agreement, \$4,628 of HAC South Jersey Future Obligations shall be transferred back to the Company's South Jersey Current Obligations upon payment by HAC of such Obligations received by the CRDA on future Quarterly Payment Dates.

(15) Commitments and Contingencies

Litigation

The Company is a party in various legal proceedings with respect to the conduct of its operations. Although a possible range of loss cannot be estimated, in the opinion of management, settlement or resolution of the proceedings should not have a material adverse impact on the financial position or results of operations of the Company.

License Renewal

During January 2001, the New Jersey Casino Control Commission (the "CCC") renewed the Company's license to operate its casino hotel complex in Atlantic City. A casino license is not transferable, and must be renewed every four years by filing an application which must be acted upon by the CCC no later than 30 days prior to the expiration of the license then in force.

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature Michael J. Walsh

Vice President of Finance & Admin.

Title

1482-11

License Number

On Behalf Of:

Atlantic City Showboat, Inc.

Casino Licensee

**SCHEDULE OF RECEIVABLES AND
PATRONS' CHECKS**

LICENSEE ATLANTIC CITY SHOWBOAT, INC

FOR THE YEAR ENDED DECEMBER 31, 2002

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2002

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE NET OF ALLOWANCE (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$ 1,426		
2	Returned Patrons' Checks.....	\$ 4,426		
3	Total Patrons' Checks.....	\$ 5,852	\$ 3,873	\$ 1,979
4	Hotel Receivables.....	\$ 169	\$ 21	\$ 148
	Other Receivables:			
5	Receivables Due from Officers and Employees.....	\$ 1		
6	Receivables Due from Affiliates.....	\$ 1		
7	Other Accounts and Notes Receivables.....	\$ 2,364		
8	Total Other Receivables.....	\$ 2,366		\$ 2,366
9	Totals (Form CCC-205).....	\$ 8,387	\$ 3,894	\$ 4,493

UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1).....	\$ 1,988
11	Counter Checks Issued (Excluding Counter Checks Issued Through Transactions Relating to Consolidations, Partial Redemptions, Substitutions, and Patrons' Cash Deposits).....	\$ 68,245
12	Checks Redeemed Prior to Deposit (Excluding the Unredeemed Portion of Counter Checks Redeemed Through Partial Redemptions, and Excluding Checks Redeemed Through Transactions Relating to Consolidations, Substitutions, and Patrons' Cash Deposits).....	\$ (46,723)
13	Checks Collected Through Deposits.....	\$ (20,218)
14	Checks Transferred to Returned Checks.....	\$ (1,866)
15	Other Adjustments.....	
16	Ending Balance.....	\$ 1,426
17	"Hold" Checks Included in Balance on Line 16.....	\$
18	Provision for Uncollectible Patrons' Checks.....	\$ 672
19	Provision as a Percent of Counter Checks Issued.....	1.0%

Under penalties of perjury, I declare that I have examined this Schedule of Receivables and Patrons' Checks and to the best of my knowledge and belief, it is true and complete.

3/31/03
Date

Michael J. Walsh
Signature

Vice President of Finance and Admin
Title of Officer

**ANNUAL EMPLOYMENT
AND PAYROLL REPORT**

LICENSEE ATLANTIC CITY SHOWBOAT, INC

FOR THE YEAR ENDED DECEMBER 31, 2002

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

ANNUAL EMPLOYMENT AND PAYROLL REPORT

AMENDED
9/12/25AT DECEMBER 31, 2002
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF EMPLOYEES AT DECEMBER 31, (c)	SALARIES AND WAGES		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
1	CASINO Administration	16			
2	Gaming	459			
3	Slots	243			
4	Casino Accounting	280			
5	Simulcasting	4			
6	Other	113			
7	Total - Casino	1,115	\$ 29,395	\$ 145	\$ 29,540
8	ROOMS	256	5,529	135	5,664
9	FOOD AND BEVERAGE	1056	20,149	92	20,241
10	OTHER OPERATED DEPARTMENTS PBX	17	352		352
11	PARKING	17	302		302
12					
13					
14					
15					
16					
17					
18					
19					
20	ADMINISTRATIVE AND GENERAL Executive office	9	213	506	719
21	Accounting and auditing	78	2,886	177	3,063
22	Security	197	5,273		5,273
23	Other administrative and general department	52	5,424	162	5,586
24	MARKETING	9	356	147	503
25	GUEST ENTERTAINMENT	131	870		870
26	PROPERTY OPERATION AND MAINTENANCE	244	8,061		8,061
27	TOTALS - ALL DEPARTMENTS	3,181	\$ 78,810	\$ 1,364	\$ 80,174

Under the penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

3/31/03
Date_____
SignatureVice President of Finance and Admin. CCC-376
Title of Officer

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT, INC

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2002
(\$ in Thousands)

Line

CASINO WIN:		
1.	Table and Other Games Win.....	\$ 47,927
2.	Slot Machines Win.....	\$ 321,187
3.	Total Win.....	\$ 369,114
Less - Adjustment for Uncollectible Patrons' Checks:		
4.	Provision for Uncollectible Patrons' Checks	\$ 610
5.	Maximum Adjustment (4% of line 3)	\$ 14,765
6.	Adjustment (the lesser of line 4 or line 5)	\$ 610
7.	Gross Revenue (line 3 less line 6).....	\$ 368,504
8.	Tax on Gross Revenue - Reporting Year (8% of line 7).....	\$ 29,480
9.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	
10.	Total Taxes on Gross Revenue (the sum of lines 8 and 9).....	\$ 29,480
11.	Total Deposits Made for Tax on Reporting Year's Gross Revenue.....	\$ (29,485)
Settlement of Prior Years' Tax on Gross Revenue		
12.	Resulting from Audit or Other Adjustments - (Deposits) Credits	\$ 5
13.	Gross Revenue Taxes Payable (the net of lines 10, 11 and 12)	\$ (0)

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

3/17/03
Date

 1482-11
Signature

Vice President of Finance and Admin.
Title of Officer